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UNITED STATES DEPARTMENT OF AGRICULTURE  
FOREIGN AGRICULTURAL SERVICE  
WASHINGTON 25, D. C.

September 17, 1954

The State of Food and Agriculture, 1954

Position Paper

Problem

The review and outlook of the State of Food and Agriculture for 1954, is a clear and concise statement on the changes in agricultural production and trade in the past year and the problems arising from the increases in agricultural production. Special emphasis has been given to the problem of large surpluses accumulating in some countries, the possibilities of stimulating consumption, and the need for selective and efficient expansion of agricultural production with a view of avoiding burdensome surpluses of certain commodities in certain areas.

The report shows how, for the past four years, world agricultural production has increased nearly three percent annually while population has increased only about one and one-half percent. This has led to serious surpluses, particularly, in a few countries who are large exporters of commodities such as grains and sugar. The report also points out that increasing efforts to dispose of these surpluses may depress international prices so that domestic price supports will no longer act as a support to international prices. On the other hand, retail prices have been slow to adjust to the decline in farm prices and a further substantial adjustment is necessary if consumption is to catch up with the expansion in production. Lack of storage space for surpluses in several exporting countries has been an important factor in forcing them to sell their grains, particularly wheat, at prices somewhat below the maximum price of the international wheat agreement.

The report points out that during the past year premiums on exports from soft currency areas have virtually disappeared due to the improvement in the holdings of dollar reserves of many countries. Despite this improvement, however, the larger supplies and lower prices for export products, trade in agricultural products has shown little or no expansion because importing countries have continued to raise the level of their agricultural productivity in an effort to become more self sustaining.

These various forces in both exporting and importing countries have greatly increased the cost of price support policies and more and more governments are tending to reduce the support level or to adopt less rigid price support policies in order to limit their financial liabilities. Many of the smaller exporting countries fear that the more vigorous measures being taken to foster agricultural exports may lead to further declines in world agricultural prices. It is therefore possible that a great deal of time, during the conference, will be spent discussing the outlook for surplus disposal and that a clear-cut statement on foreign policy would be beneficial.





Position Paper on  
State of Food and Agriculture - continued

In discussing the outlook for agricultural prices, the report states that the gradual decline in farm prices is likely to continue through 1954-55 and that the more vigorous efforts being taken to foster agricultural exports will bring supplies of the various farm products more in line with consumer demand. More stringent acreage restrictions and marketing quotas are likely to bring the supplies of crop products appreciably lower in 1955-56, while supplies of livestock products will probably continue to increase.

U.S. Position

The FAO Secretariat should be commended for the excellent detailed analysis of the agricultural situation and its clear presentation. In general, their conclusions are in substantial agreement with those reached by U.S. delegates except in a few cases or where new developments since the preparation of the report have caused some change in the agricultural outlook.

An inquiry might be made about the basic data used for communists countries in preparing the index numbers of world total and world per capita food production on pages 18 & 19. The estimates including the communist areas appear high and are not substantiated by other indications of production. If the estimates are correct, production on a per capita basis in the Satallite areas must be at about prewar levels and this is not born out by other indications. The footnote on page 68 regarding Soviet grain production may indicate how the optomistic estimate of total production is obtained. The estimate of 130 million tons of grain for 1953 is apparently based on biological yields (a pre-harvest estimate, that does not take into account harvesting losses which are often large), so that recent production estimates are not comparable with estimates of other countries of the world or with prewar figures for this area. A brief note on the data used for this area in computing the world index of production would be very helpful in appraising its reliability.

It might be pointed out that the outlook for agriculture in Oceania appears to be overly optomistic, particularly with respect to the possibilities of expanding production of wheat, dried vine fruits and sugar. All of these commodities are in world surplus with little possibility of advancing prices whereas costs of production in Oceania are increasing. The report may also be optomistic regarding the outlook for exports of dairy and meat products from Oceania countries in view of the expanding production expected throughout the world.

The report is probably too conservative on the improvement of agricultural conditions in Africa. It might be pointed out that the increase in coffee and cocoa prices and the improvement in palm oil quality have resulted in sharp increases in proportion to returns from foreign trade which is going to producers in Africa. This producer prosperity is beginning to result in increased imports of cereals, processed milk, fish and other luxury foods, and in general, better diets and living conditions for natives.





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While it is true that India has made reliable progress in expanding its food production in the last two years, it is possible that too much credit is being given to results obtained under the five-year plan to expand production and not enough to the very favorable monsoons during the past two years. Technicians who have followed very closely the progress of the plan, estimate that permanent improvements in the factors of production accounted for no more than 3 million tons of the increase in food grain production out of the total increase of 8 million. If this trend continues, normal weather in 1955-56 would likely result in a production of about 60 million tons of foodgrains or some two million below the target.

In connection with the discussion of the Philippines, it might be well to point out that in its trade with the U.S., the duty-free and free quota period under the trade agreement has been extended through December 1955.

The Summary on the outlook for rice does not reflect the latest marketing and price changes. It should be pointed out that rice prices to September first had declined about 25 to 30 percent and the market is in the process of digesting this readjustment. Also this decline in rice prices has brought them more nearly in line with the price of other cereals. It might also be mentioned that the surplus of rice that accumulated during 1953 was low-grade poor quality rice and at present there are no appreciable stocks of good rice any where in the world.

The report was apparently written before the break in coffee prices and the discussion on prices and outlook appears too optimistic in view of recent changes. It states that stocks of coffee are practically exhausted whereas stocks are still more than 10 percent of the production and instead of "poor prospects for the Brazilian crop revealing a serious gap in the world's coffee supplies" it now appears that this gap will be filled by higher output from other producing countries.

In view of the deep concern by many countries regarding the possibility of forcing down farm prices through surplus disposal programs, it might be well to summarize briefly the announced policies of the United States regarding surplus disposal.

The United States should make a statement along the following lines, based upon announcements by the President and the Secretary in their discussions of the disposal program:

We welcome the opportunity afforded by this session of the Council of FAO to discuss the world food and agriculture situation and the measures that may be taken for its improvement.

The Government of the United States recognizes that U.S. agriculture, as well as other segments of the U.S. economy, stands to gain from a sustained policy of expanding world trade, based upon the most economic and most efficient use in each country of the available labor, natural resources and capital. Therefore it recognizes that it is in the long-run interest



of the United States to work with other nations in a mutual effort to expand international trade, and to promote the fuller convertibility of currencies, the freer movement of commodities, the freer movement of investment capital, and the interchange of technical and scientific information.

My Government also recognizes that the capacity of certain areas of the world to produce food and fiber in excess of market takings presents a basis and a hope for improving living standards around the world -- provided ways can be found for improving marketing and distribution systems and enlarging the purchasing power of consumers. We recognize, therefore, that a challenge exists to the nations of the world to develop sound means of utilizing their productive capacity in the improvement of living standards.

In this connection we feel that the emphasis of the last conference on selective expansion of production and development of consumption is still advisable. We are glad to note the progress in this direction reported by the Director-General in his statement on this subject. We believe that the policy of encouraging production only of those products that are needed in certain areas is sound and that it should apply to the technical assistance program as well as to the consultative efforts already undertaken. We feel that further regional consultations should be undertaken only if there is a clear desire for such consultations on the part of countries in the region concerned and if sufficient advance preparations can be made to insure worthwhile results.

With regard to other suggestions on selective expansion of production and consumption, we feel that progress and developments in this field should be covered in the next issue of the "State of Food and Agriculture". We do not feel that it is necessary to invite member governments to report to FAO on developments in this area. We feel that our own agricultural foreign trade policy takes into account the position of the friendly countries and we hope this policy will be understood by them.

Today, the United States agricultural situation is complicated by two factors on the domestic front: (1) production of certain farm products is out of balance with demand, thus creating surplus stocks which overhang and tend to unsettle both domestic and foreign markets; and (2) prices of many exportable farm products are not competitive with world prices. Both of these factors promise to remain operative for some time.

Indeed, the magnitude of the United States holdings of many commodities is such as to be capable of demoralizing world commodity markets should a policy of reckless selling abroad be pursued. The Government of the United States therefore believes that the world supply and demand situation in agricultural products requires in the interests of the general welfare, an orderly and gradual liquidation of its surpluses. And it believes that such a policy, arrived at with the full knowledge of friendly nations, will go far to eliminate fear arising from uncertainty.

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Necessarily, the policy to promote an orderly and gradual liquidation of agricultural surpluses must apply in both the domestic and international spheres.

Domestically, the United States is dealing with the surplus problem in a number of ways. First, a large part of existing surpluses have been removed from access to commercial markets by a "set-aside" program. Under this program up to \$2½ billion of agricultural commodities will be held in reserve during periods of adequate supply, for use only in outlets which do not interfere with normal channels of trade. The commodities — consisting of wheat, cotton, cottonseed oil, butter, nonfat dry milk solids, and cheese — will be rotated as needed to preserve quality. Disposition will be made through such uses as school lunch programs, disaster and relief feeding programs at home and abroad, the national stockpiling program, and other emergency uses.

Second, the United States is revising its domestic farm programs through the enactment of the Agricultural Act of 1954 so as to bring production and demand into better balance, and to discourage the further formation of excessively large surpluses. The principle of flexibility in farm price support levels has been established to encourage needed production adjustments. And production control programs have been firmly applied to the production of a number of basic crops which now are in greatest surplus supply. Under these programs, for example, land devoted to wheat production has been reduced by more than 16 million acres during the past year. Land devoted to cotton production has been cut back by more than 5 million acres.

Internationally, the United States is following a policy consistent with these domestic efforts. It seeks to find constructive use for its surplus supplies in needy areas of the world just as it seeks to find constructive use for its surpluses within the United States. And it also seeks to do these things in ways which will not jeopardize the normal structure of world agricultural markets.

At the same time, however, President Eisenhower has pointed out that the United States cannot accept the role of limiting its sales in world markets until other countries have disposed of their production. The adjustment of world supply to world demand, he has stated, will require adjustments of production in other countries, as well as in the United States.

I should like to quote the President's policy statement of September 9, 1954, relevant to these points. The President stated —(and I quote):

"The United States cannot be satisfied with the position of holding its own supplies off the market and accumulating surpluses while other countries dispose of their entire production. Accordingly, the United States will offer its products at competitive prices. At the same time, the United States will not use its agricultural surpluses to impair the traditional competitive position of friendly countries by disrupting world prices of agricultural commodities.

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1. The Commission has received information from the  
2. Ministry of the Interior that the following persons  
3. have been identified as members of the organization  
4. known as the "Black Legion" and are active in  
5. the city of Chicago:

1. Name of the person	2. Date of birth	3. Place of birth	4. Sex	5. Religion	6. Education	7. Occupation	8. Marital status	9. Address	10. Contact details
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"The United States will seek in cooperation with friendly countries to utilize its agricultural surpluses to increase consumption in those areas where there is demonstrable under-consumption and where practical opportunities for increased consumption exist or can be developed in a constructive manner. The United States will attempt to utilize such opportunities in a manner designed to stimulate economic development in friendly countries and to strengthen their security position." (End of quote.)

To this end, and as an interim measure, the United States Congress has enacted the Agricultural Trade Development and Assistance Act of 1954. Under this Act agricultural surplus commodities, aggregating \$700 million in value, may be sold abroad at competitive prices for local currencies over a three-year period. The foreign currencies which accrue under the program may be used for various purposes, including the promotion of international economic development and trade, the payment of United States obligations abroad, and the financing of international educational exchange activities. The Act also provides that agricultural commodities, up to \$300 million in value, may be given to friendly peoples in the event of national disaster or famine.

I am glad to be able to report that my Government has thus fulfilled a commitment to continue arrangements for using its surplus stocks for famine relief that was made when this matter was discussed at the last Conference.

In implementing the Development and Assistance Act — and in all its other foreign trade relationships — the United States recognizes the important role of private business in maintaining the strength and stability of world agricultural markets. It recognizes that the movement of goods in foreign trade is highly dependent upon the enterprise of private business — foreign and domestic. And it thus seeks to assure conditions of commerce which permit the private trader to function freely and effectively.

The United States believes that the long-range solution to the world surplus problem will not be found in the use of indiscriminate dumping programs but in programs for expanding consumption and adjusting agricultural pricing, production and trade programs in such a way that supplies will be brought into balance with demand. We believe the long-range objective should be to expand domestic and foreign markets by economic development activities, removing trade barriers, reducing costs, improving quality, and intensifying sales efforts so as to make possible the full and efficient use of agricultural resources with minimum reliance upon governmental action in all friendly countries throughout the world.

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